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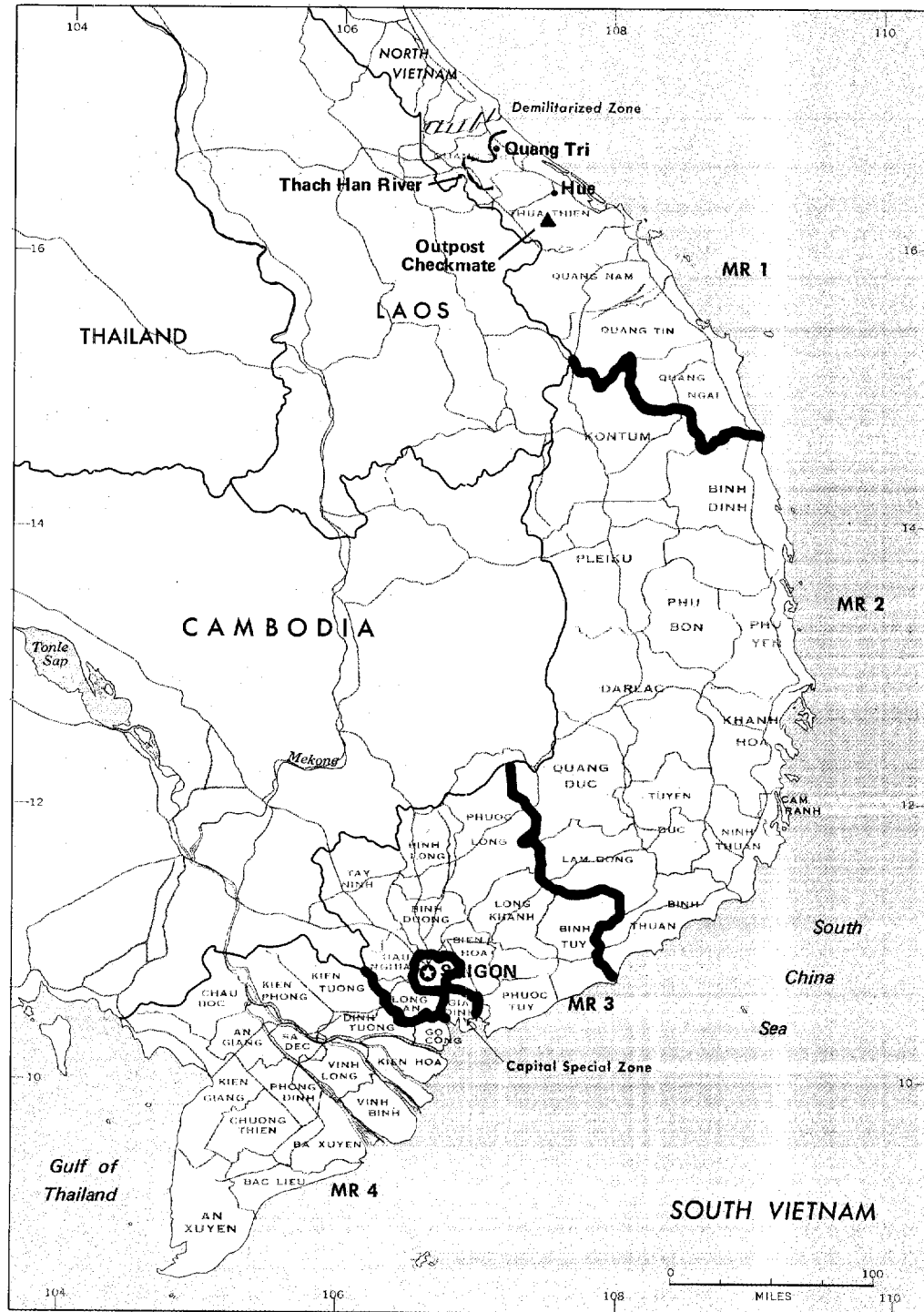
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SOUTH VIETNAM: Government forces have moved closer to the Quang Tri City citadel, but continue to encounter intensive Communist artillery fire.

Lead elements of South Vietnamese Marine units are now near the citadel's northeastern and southeastern corners, and the marines are also trying to move to the west of the fortress along the Thach Han River in the hope of cutting this enemy supply route. More than 1,500 artillery and mortar rounds were fired at marine positions around the city on 6 August, and one battalion commander has told a reporter that his troops will not be able to clear the city until the enemy's large artillery pieces are silenced.

To the south in Thua Thien Province, the Hue citadel was again struck by rocket fire, and government positions guarding the western approaches to Hue continue to be shelled. One of these positions, newly retaken Outpost Checkmate, successfully repulsed an enemy ground attack.

Elsewhere, Communist forces continue to be active against hamlets in northern Quang Ngai Province along the central coast and against isolated government troop positions and villages in Kontum and Pleiku provinces in the highlands, where the enemy appears to be foraging for supplies. [REDACTED]

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JAPAN-USSR: Tokyo is now seriously considering expanding its involvement in the development of Siberian resources, but a final decision will be dependent on broader political considerations.

Last month a Japanese business-government survey team returned from the USSR with a favorable assessment of Moscow's ability to deliver 40 million tons of oil annually for 20 years in exchange for massive Japanese aid for the exploitation of the Tyumen oil field deposits in western Siberia. Tokyo reportedly has now given the go-ahead to discuss the Soviet request for a low-interest \$1-billion loan to finance the extension of a pipeline from Irkutsk to Nakhodka. Japanese business leaders are enthusiastically supporting the project and Prime Minister Tanaka has assigned high priority to the procurement of fuel resources. Nonetheless, Tokyo is concerned that aid to the improvement of Soviet strategic fuel supply in the Far East could have a detrimental effect on negotiations with Peking over normalization of relations and a peace treaty.

Liberal terms on Japanese investment in the Tyumen project are viewed by Tokyo as one of several concessions that the Soviets may demand in the upcoming Russo-Japanese peace treaty negotiations. Preliminary discussions to prepare for formal treaty talks, which have been suspended since 1956 because of Soviet refusal to negotiate Tokyo's claims to several, small Russian-held islands north of Japan, will open in September. Moscow probably has a stronger incentive to discuss the territorial problem because of its need to shore up its political and economic position with Tokyo, as Sino-Japanese relations become warmer.

Despite Moscow's desire to counter Chinese influence, it is not yet clear what concessions the Soviets are prepared to make on the disputed Northern Territories. Soviet newspapers have hinted

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that Moscow is prepared to offer some partial return and there have been Soviet-inspired rumors of a possible lease of the islands to Japan.

Tanaka has already affirmed Tokyo's intention of taking an all-or-nothing position on the return of the islands, and Japanese officials have responded negatively to the idea of leasing the islands. Tokyo is not optimistic about an early settlement of its territorial claims and is prepared to wait several years more before concluding a treaty on its own terms. It is, therefore, unlikely that the Japanese will rush to make any economic concessions until prospects for a satisfactory settlement have been clarified.

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NATO-MBFR: The NATO allies have agreed that the US should sound out the Soviets on their willingness to participate in exploratory talks on mutual and balanced force reductions in parallel with those for a Conference on Security and Cooperation in Europe tentatively proposed for November.

The allies approved the new soundings as a result of a growing impression that Moscow has become increasingly cool toward MBFR in recent weeks. The Soviets, during President Nixon's visit, agreed to simultaneous talks on the two subjects. Nonetheless, Foreign Minister Gromyko, during his visit to the Benelux countries in June, seemed to prefer that any MBFR negotiations should follow a CSCE.

Although the allies agreed--despite their distrust of bilateralism--that the US should try to clarify the Soviet attitude, it remains doubtful that they are prepared to insist on parallelism if the Soviet response is negative. In discussions during the past few days, several of the allies have said that they are unwilling to make progress on MBFR a precondition for going ahead with a CSCE. Moreover, in favoring an informal US approach to Moscow over the formal demarches the US had earlier proposed, the allies clearly wished to avoid the risk to a CSCE that a negative Soviet position might pose.

Pending the outcome of the US approach, the North Atlantic Council will attempt again this week to agree on how to proceed in the event the Soviet attitude toward MBFR is more favorable than it has lately seemed. Despite progress made in last week's discussions, the allies are still not of one mind on such questions as the representation of NATO members in the explorations, the geographical area to be included in the proposed force reductions, or even the site of the talks. [REDACTED]

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ITALY: The new centrist government faces an important test vote in the Chamber of Deputies this week.

Prime Minister Andreotti's government has majorities of about 20 in the 630-member Chamber of Deputies and perhaps four in the 323-seat Senate, but has been unable to control absenteeism. Over the past month in both the Chamber and the Senate, the Communists and Socialists, with the neo-fascists, have passed three expensive amendments to an important government pension bill. Andreotti has recalled the Chamber from its summer recess in an effort to delete the latest Communist-backed amendment, which the government finds particularly onerous.

To be forced to accept amendments passed with the help of the Communists would be especially embarrassing to the Andreotti government. The exclusion of the left-of-center Socialists from the government earlier this summer was based in part on their insistence that the government should permit the Communists to play a somewhat enlarged role in the legislative process. In contrast, conservatives maintained that the government should revert to rigid interpretation of its postwar rule that Communist parliamentary votes could not be allowed to play an effective role.

The vote this week will be an important test of strength. The outcome is uncertain, but the approach of Italy's sacrosanct two-week holiday beginning 15 August strengthens the government's chances for survival, at least temporarily. [REDACTED]

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NONALIGNED CONFERENCE: The foreign ministers of 25 to 30 "nonaligned" nations begin four days of meetings in Georgetown, Guyana, today to consider the effects of great power detente and other "third-world" themes.

Delegates will evaluate international developments since the last nonaligned summit in Zambia in 1970, and will attempt to formulate a common strategy for the 27th UN General Assembly. They will also attempt to lay the groundwork for a nonaligned heads of government summit to be held in 1973 or 1974. Issues included on the agenda are: consideration of the significance to the nonaligned of great power detente, the European Security Conference, colonialism and apartheid in Africa, conflicts in the Middle East and Vietnam, and the Law of the Sea.

Proceedings will be dominated more by rhetoric than substance, however, and the concept of nonalignment is not likely to regain its lost momentum. Anti-US and anti-imperialist propaganda will be heavily emphasized, and Cuba's Foreign Minister Raul Roa will probably play a major part. A number of liberation movements have been accorded observer status. Problems over the accreditation of some delegations, the paucity of specific issues that a majority of the nonaligned can agree on, and the increasing irrelevance of the concept of nonalignment will militate against substantive progress. At least partly for domestic reasons, traditional leaders of the movement, such as Yugoslavia and Egypt, are taking little interest in this conference. India, however, in the hopes of reinforcing its non-aligned credentials, may attempt to play a more active part.

Guyana's Prime Minister Forbes Burnham believes, nevertheless, that his stature, Guyana's role as a third-world leader, and the glimmer of hope for a third-world movement can be upheld so long as rancorous divisions are avoided. [REDACTED]

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BOLIVIA: Dissatisfaction with President Banzer is increasing, and a number of plots against him are being reported.

Many military officers distrust the Movement of the Revolutionary Left (MNR), one of the political parties in Banzer's National Popular Front. They may hope to weaken the government by making it impossible for the MNR to remain in the coalition. These officers, who are dissatisfied with Banzer's policies, then would hope to take control of the government.

MNR leaders have been trying to convince these officers that the party harbors no subversive intentions, and the recent dismissal of one of its most outspoken leaders may help this aim. The MNR almost withdrew voluntarily from the government two weeks ago after a dispute between MNR chief Victor Paz Estenssoro and the head of the army engineers. Cabinet changes are expected around 20 August, one year after the coup that brought Banzer to power. Although these could help to reconcile the competing interests, Banzer will have to maintain a tricky balancing act.

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PAKISTAN-BANGLADESH: President Bhutto appears to be having second thoughts about recognizing Dacca this month. On 27 July, Bhutto's information minister made remarks to the press that strongly suggested the government wanted the National Assembly to vote for recognition when it meets next week. On 1 August, however, Bhutto backed away from this position slightly when he told reporters that it was up to his political party to decide whether the issue would be considered in the assembly. He has now moved even further away, telling the US chargé that it might not be advisable to bring recognition of Bangladesh before the National Assembly at this time. He mentioned his preoccupation with the volatile language issue in the Sind and opposition efforts to embarrass his government. Bhutto may be worried that consideration of recognition now could raise a contentious issue at an unpropitious time in domestic politics. [REDACTED]

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GUINEA-USSR [REDACTED]: Last week Conakry received its first Soviet naval equipment deliveries since the seaborne commando raid by Guinean exiles and Portuguese forces in late 1970. [REDACTED]

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The torpedo boats probably were ordered under the 1971 Soviet-Guinean arms agreement that also provided for the recent deliveries of jet fighters, transport aircraft, and ground forces equipment. In addition, Conakry has announced that some 150 Guinean naval personnel are scheduled to go to the USSR for six months to two years of training. [REDACTED]

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URUGUAY: President Bordaberry's economic recovery program is threatened because the government has been unable to secure new loans from either public or private sources. Despite a small seasonal increase in meat exports, the balance of payments remains under heavy pressure. If the needed loans are not forthcoming, foreign exchange reserves could decline by as much as \$20 million this year. Uruguay then would be ineligible to draw the remaining funds under the International Monetary Fund's standby credit. Moreover, Montevideo probably would have to tighten exchange controls further, which could have a depressing effect on business confidence and postpone economic recovery. [REDACTED]

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